

# Russia and the Baltic Countries: FAS Missions of Investment and Opportunity

*By Frank Fender*

This spring, about 20 U.S. agribusiness executives had a chance to see what Eastern Europe and the Newly Independent States have to offer, thanks to the Foreign Agricultural Service. They liked what they found—and the result points toward increased trade

among the United States, Russia and the Baltic countries.

## **Not a Trade Mission—Something More**

Like conventional trade missions, investment missions promote U.S. products, but they also go a little further. They seek to build mutually beneficial business partnerships between host nations and U.S. companies. This helps emerging nations continue their progress toward stability and growth while providing profitable business opportunities for U.S. companies.

These investment missions are conducted by the Trade and Investment Program of FAS. The Russian mission was coordinated with the Program to Revitalize Russian Agriculture Through Regional Investment (PRARI), a joint project of the U.S. Department of Agriculture and the U.S. Agency for International Development.

Jes Nielsen, with International Custom Products, Inc., participated in the trip to the Baltic countries of Estonia, Latvia and Lithuania. His company, headquartered in



Dubois, Pa., exports, imports and distributes dairy-based food ingredients worldwide. Nielsen brought plenty of market intelligence back to Pennsylvania, especially about Lithuania.

"I saw this as a fact-finding mission to learn if there was anything our company would consider investing in or purchasing," he said.

Tim Cornwell, director of procurement, commodity lumber, for Georgia-Pacific's Building Products Distribution Division saw a different kind of opportunity in this investment mission.

"Georgia Pacific is always looking for new suppliers to meet our growing customer demand and the Baltic countries show potential," he said.

Cornwell added that partnerships with several Baltic companies may be the gateway for Georgia-Pacific to create a supply base with a reviving Russian economy.

### How an Investment Mission Works

The mission to Estonia, Latvia and Lithuania took place in February 2001; a second mission covered the prime Russian



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agricultural areas of Rostov, Samara and Lipetsk in April 20-30, 2001. These regions were selected due to their more progressive politics and investment environment.

Participants in both missions had a chance to meet with pre-screened strategic or financial partners in the host country. There were briefings from U.S. embassy and trade officials, and opportunities to meet with local government and banking officials.

"We also provided participants with a chance to meet U.S. businesses that have successfully invested in the regions," said Christian Foster, who heads the Trade and Investment Program in FAS' Food Industries Division. "This gives our participants the chance to ask questions and gain in-

sights that only first-hand experience can provide."

FAS provided translators and organized the trip, including travel arrangements between the Baltic states. FAS also covered some of the costs of local transportation and made arrangements for meetings and set up individual appointments.

Participants covered their own international travel and hotel costs.

"We were provided excellent service in every possible way," said Nielsen. "We had support from everyone, from FAS' agricultural attaches to the local ministers. Whenever we needed a translator we had one. Everything was well organized."

Cornwell and Nielsen agreed that the delegation members covered a lot of



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ground. They visited prospective partners, attended meetings and listed to representative of banks, development agencies and chambers of commerce throughout the region.

"This was no holiday; we were there to work," said Nielsen. "I think, however, that we learned a lot about trade opportunities from the Baltic producers; I think they learned a lot from us as well."

### Straight Talk About Dairy Operations

Nielsen and Cornwell were among participants in the Baltic mission. Both gained valuable insights into the region.

"After touring dairies in the three countries, I learned that they are not all at the same stage of development," said Nielsen, whose dairy-industry linkages are central to his firm's profitability.

"Nevertheless, many of the dairies are very modern, and many have upgraded to EU standards in anticipation of the Baltic States' gaining membership in the European Union. I was surprised at how good their processes were."

Although many cheese factories need some modernization, not all of them were behind the times, he added.

"In each country we learned something that could be of interest from a business point of view."

### Russian Mission a Success

Given the financial crisis there in 1998, it may seem strange that Russia was a choice for an investment mission, but actually the timing was quite good.

"Reports show that the Russian economic meltdown is over," said Foster. "Personal incomes are up, as is direct foreign investment."

There are other good reasons for businesses to consider Russia now. Business-



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friendly tax reforms are underway and the ruble devaluation has dramatically lowered business costs. Moreover, as the economy has improved, Russia's farms and food processors are turning better profits.

Perhaps this explains why all the spaces on the Russian mission filled up quickly with U.S. agribusiness executives.

"We were pleased with the diversity of our participants," said Foster. "Among the group were an oilseed processor, a meat processor, an irrigation equipment manufacturer, a poultry concern and a grain company."

Yet another indication of how far Russia has come is the broad-based support for this investment mission. FAS' Emerging Markets Program funded the Russian trip, which was coordinated with the FAS office in Moscow. The U.S.-Russian Business Council and the American Chamber of Commerce in Russia also lent their support as did the U.S. Department of Commerce.

### What's Next for Trade and Investment?

In a new project that's just getting underway, USAID is providing \$1 million for a technical assistance program to improve Yugoslavia's agricultural regulatory and policy frameworks.

The plan is to assist Yugoslavia in food safety efforts, WTO and trade policy issues, border controls, veterinary inspection and market information. An academic exchange program is also planned.

"We're very excited and pleased with this latest project, said Foster. "It seems our past successes are putting us in a great position to leverage additional resources to help others in the future—both in the United States and in emerging markets. ■

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